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NPIC/TSSG/DED-1597-69
23 April 1969

MEMORANDUM FOR: Chief, Technical Services & Support Group, NPIC

SUBJECT : Termination of Contract [redacted]
for the Development of a Rear Projection Viewer

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1. On 31 May 1967, NPIC initiated the subject fixed price contract with [redacted] to develop an Advanced Rear Projection Viewer designated the NOD 110. The contract consisted of a three phase effort-- Phase I - the lens design, Phase II - the lens fabrication, and Phase III - the viewer fabrication. Under a cost sharing arrangement, NPIC agreed to pay 48% of the costs up to a maximum of [redacted] for Phase I, [redacted] for Phase II and [redacted] for Phase III. The viewer was to be constructed in accordance with the detailed technical specifications incorporated in the contract. The contract was structured so that [redacted] had to satisfy each phase before they could proceed into the next, and if they failed in any phase, they would not be paid for that or any subsequent phase regardless of the amount they had spent in attempting to achieve compliance with the specifications.

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2. In a memorandum from Chief, Procurement Division, Office of Logistics dated 18 June 1968, NPIC was officially informed that [redacted] has decided to exercise their option to terminate the present contract for the reasons that they cannot completely meet all the technical specifications. In requesting termination prior to completing Phase I, they forfeit any costs expended in their attempts to satisfy the specifications of that phase. In other words, NPIC is not obligated to pay [redacted] any portion of the [redacted] that is allocated for this development. It is assumed that if the contract is strictly terminated the FY-1967 funding cannot be used by NPIC for any other Rear Projection Viewer development effort such as contracting with another company to develop the instrument even though none of the FY-1967 commitment of [redacted] was actually spent. It is understood that these funds are placed in a general fund unavailable to NPIC for specific development efforts.

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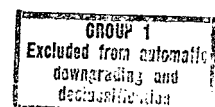
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3. From the time that this development was originally conceived it was recognized that the complex zoom lens system was the "heart" of the projector but it was also recognized that it was a high risk component since its design performance required advancing the state-of-the-art of lens design. [redacted] in their original proposal indicated their high confidence to design the zoom lens by proposing and accepting a fixed-price contract. This means that the contractor either meets all of the

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specifications or he does not get paid. [redacted] was unable to meet the specification for the zoom lens, therefore, they notified the Government that they desired to exercise their contractual option to terminate. Following this notification, [redacted] and NPIC began discussion in an attempt to continue the development under some modified contractual form and with some minor changes to specifications. These discussions resulted in a series of proposals from [redacted] none of which were acceptable, either technically or contractually, to NPIC. It is [redacted] position that the only arrangement under which they would now be willing to continue would be a cost-type contract. This type of contract is totally unsatisfactory to NPIC because it would mean that the Government would take the entire risk of success and the zoom lens is still a high risk item. Recently, there has been significant reorganization within the company and the present management is either not as optimistic of technical success or is not willing to accept the risks that the previous management was willing to take. [redacted] is essentially indicating that their confidence level in their ability to meet NPIC's specifications is now extremely low.

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4. For these reasons, combined with the fact that the Government is prohibited from re-negotiating contracts without receiving adequate consideration, which would be the case if this development was changed to a cost-type effort, it is recommended that NPIC notify the West Coast Procurement Office to accept [redacted] offer to terminate the subject contract at no cost to the Government.

*Do we
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junk?*

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[redacted]
Chief, Development & Engineering Division, TSSG

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